

## **EXHIBIT 1**

# HOUSE BILL 525

I1, I2

7lr0642

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By: Delegate Sydnor

Introduced and read first time: January 27, 2017

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Mortgage Lender Law – Mortgage Lender – Definition**

3 FOR the purpose of altering the definition of “mortgage lender” under the Maryland  
4 Mortgage Lender Law to include a certain assignee or successor of a person who  
5 makes a loan to any person and exclude a certain licensee; providing for the  
6 construction of this Act; and generally relating to the Maryland Mortgage Lender  
7 Law.

8 BY repealing and reenacting, with amendments,

9 Article – Financial Institutions

10 Section 11-501(j)

11 Annotated Code of Maryland

12 (2011 Replacement Volume and 2016 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

14 That the Laws of Maryland read as follows:

15 **Article – Financial Institutions**

16 11-501.

17 (j) (1) “Mortgage lender” means any person who:

18 (i) Is a mortgage broker;

19 (ii) Makes a mortgage loan to any person; [or]

20 (iii) Is a mortgage servicer; OR

21 (IV) IS AN ASSIGNEE OR A SUCCESSOR OF A PERSON WHO:

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1                   **1.     MAKES A MORTGAGE LOAN TO ANY PERSON; AND**

2                   **2.     ACQUIRES THE MORTGAGE LOAN WHEN THE**  
3     **MORTGAGE IS IN DEFAULT.**

4                   (2)    “Mortgage lender” does not include:

5                   (i)    A financial institution that accepts deposits and is regulated  
6     under Title 3, Title 4, Title 5, or Title 6 of this article;

7                   (ii)   The Federal Home Loan Mortgage Corporation;

8                   (iii)   The Federal National Mortgage Association;

9                   (iv)   The Government National Mortgage Association;

10                  (v)    Any person engaged exclusively in the acquisition of all or any  
11     portion of a mortgage loan under any federal, State, or local governmental program of  
12     mortgage loan purchases; **[or]**

13                  (vi)   An affiliated insurance producer–mortgage loan originator  
14     licensed under § 11–603.1 of this title; **OR**

15                  **(VII) A COLLECTION AGENCY LICENSED UNDER § 7–301 OF THE**  
16     **BUSINESS REGULATION ARTICLE.**

17                  SECTION 2. AND BE IT FURTHER ENACTED, That this Act may not be construed  
18     to imply that a purchaser of defaulted mortgage loans was not required before the  
19     enactment of this Act to be licensed as a mortgage lender or a collection agency.

20                  SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
21     October 1, 2017.

**Department of Legislative Services**  
Maryland General Assembly  
2017 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 525  
Economic Matters

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**Maryland Mortgage Lender Law - Mortgage Lender - Definition**

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This bill alters the definition of “mortgage lender” under the Maryland Mortgage Lender Law (MMLL) in two ways. First, the bill expands the definition of “mortgage lender” to include an assignee or a successor to a person who makes a mortgage loan to any person and acquires the mortgage when it is in default. Second, the bill excludes licensed collection agencies from the definition of “mortgage lender.”

The bill may not be construed to imply that a purchaser of defaulted mortgage loans was not required before the enactment of the bill to be licensed as a mortgage lender or collection agency.

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**Fiscal Summary**

**State Effect:** General fund revenues may increase minimally as additional entities that acquire mortgage loans that are in default (other than collection agencies) are required to register with the Commissioner of Financial Regulation as mortgage lenders and pay the associated licensing fees. Any such increase may be offset by some entities opting to become licensed as collection agencies to avoid the higher fee and greater scrutiny of being licensed as mortgage lenders. Expenditures are not affected.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** A “mortgage lender” is any person who (1) is a mortgage broker; (2) makes a mortgage loan to any person; or (3) is a mortgage servicer.

A “mortgage lender” does *not* include (1) specified financial institutions (including commercial banks, savings banks, and credit unions) that accept deposits and are regulated under the Financial Institutions Article; (2) the Federal Home Loan Mortgage Corporation (Freddie Mac); (3) the Federal National Mortgage Association (Fannie Mae); (4) the Government National Mortgage Association (Ginnie Mae); (5) any person engaged exclusively in the acquisition of all or any portion of a mortgage loan under any federal, State, or local governmental program of mortgage loan purchases; or (6) a licensed affiliated insurance producer-mortgage loan originator.

A “collection agency” is a person who engages among other things, directly or indirectly, in collecting for, or soliciting from another, a consumer claim or in collecting a consumer claim that the person owns, if the claim was in default when it was acquired by the collection agency.

A person licensed as a mortgage lender under MMLL is exempt from licensing under the Maryland Collection Agency Licensing Act.

**Background:** The Office of the Commissioner of Financial Regulation is responsible for licensing and regulating mortgage lenders in the State. The commissioner also licenses a number of other types of financial institutions and entities, including:

- State-chartered banks and credit unions;
- mortgage loan originators;
- affiliated insurance producer-originators;
- check cashers;
- collection agencies;
- consumer lenders;
- credit reporting agencies;
- credit services businesses;
- debt management companies;
- debt settlement companies;
- installment loan lenders;
- money transmitters; and
- sales finance companies.

Although it is unclear how many entities would be required to register as mortgage lenders under the bill, the commissioner advises that the bill's expansion of the definition of mortgage lender appears to apply to a narrow population of persons, as a quite specific set of transactions need to occur before the bill's licensing requirement is triggered. As of February 1, 2017, the Commissioner of Financial Regulation licenses 1,626 collection agencies and 2,107 mortgage lenders. The fee for a mortgage license is \$1,000 per year; for collection agencies, it is \$700 per year.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Judiciary (Administrative Office of the Courts); Department of Housing and Community Development; Department of Labor, Licensing, and Regulation; Maryland Insurance Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - February 14, 2017  
mm/kdm

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Analysis by: Eric Pierce

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# House Economic Matters Committee

## Voting Record - 2017 Session

Bill/Resolution Number:

HB 525

Vote Date:

3/13/2017

Final Action:

UNF

**Motion:**

Favorable     Favorable with Amendment     Unfavorable     Withdrawn by Sponsor  
 No Motion     Referred to  
 Interim - Summer Study     Re-referred to:

Name	Yea	Nay	Abstain	Excused	Absent
DAVIS, D., CHAIR					Chair generally does not vote
JAMESON, S., VICE CHAIR	✓				
BARKLEY, C.		✓			
FISHER, M.	✓				
HOWARD, S.	✓				
WALDSTREICHER, J.	✓				
FENNELL, D.				✓	
ARENTZ, S.				✓	
ADAMS, C.				✓	
VALDERRAMA, K.	✓				
KRAMER, B.	✓				
BRANCH, T.	✓				
MILLER, W.	✓				
AUMANN, S.	✓				
MAUTZ, J.	✓				
IMPALLARIA, R.	✓				
CLIPPINGER, L.	✓				
CAREY, N.	✓				
GLENN, C.	✓				
WILSON, C.T.		✓			
LISANTI, M.				✓	
FRICK, W.	✓				
BROOKS, B.	✓				
<b>Totals</b>	<b>16</b>	<b>2</b>	<b>4</b>		

Amendment Numbers,  
Consent Bill Lists, Other

Committee Reporter: Denise Waters